

PUBLIC DISCLOSURE

December 9, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NORTH MIDDLESEX SAVINGS BANK

**7 MAIN STREET
AYER, MA 01432**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **North Middlesex Savings Bank** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding"

North Middlesex Savings Bank was deemed to have an Outstanding CRA rating based on its performance with regard to the five performance factors detailed throughout this report. The bank's net loan to deposit ratio over the past eight quarters was at 68.5 percent. Based on the bank's asset size and resources this ratio is considered adequate.

The bank's percentage of residential lending within its assessment area is 76.9 percent by number and 77.3 percent by dollar amount. Additionally, the bank's percentage of small business loans within the assessment area is 83.7 percent by number and 86.5 percent by dollar amount. North Middlesex Savings Bank was ranked second in market share for HMDA-reportable originations throughout the assessment area in 1998. The percentage of residential and small business lending and the bank's market share within the assessment area are considered strong.

North Middlesex Savings Bank's distribution of residential loans by borrower income level was determined to exceed the standards for satisfactory performance. A total of 114 HMDA-reportable loans in 1998 and year-to-date 1999 (through December 1) were extended to borrowers of low and moderate-income, representing 33.3 percent of the bank's total loans within the assessment area. The bank's percentage of loans to low and moderate-income borrowers was favorable when compared to the aggregate for the same year. Additionally, the bank's distribution of small business loans indicated the bank's willingness to lend to small businesses in the area.

The geographic distribution of North Middlesex Savings Bank's HMDA-reportable lending is also considered to exceed the standards for satisfactory performance. A total of 72 loans representing 21.1 percent by number were located in the moderate-income census tract. The bank's assessment area does not include any low-income census tracts. North Middlesex Savings Bank's residential lending in moderate-income tracts was also favorable when compared to the aggregate for the same year. The bank's small business loan distribution among census tracts showed that a good percent of these loans were in the moderate-income census tract.

Finally, North Middlesex Savings Bank's fair lending policies and practices are considered reasonable. No weight was given to a review of complaints, as none has been received since the prior examination.

PERFORMANCE CONTEXT

Description of Institution

North Middlesex Savings Bank was established in 1885. The bank operates a main office in Ayer and two branch offices located in Littleton and Pepperell, Massachusetts. Banking hours are considered convenient and accessible to the bank's customers. The bank maintains seven ATMs, five of which are located at the bank's offices. The other two ATMs are located in Shirley and Harvard, Massachusetts. The ATMs are linked to the NYCE, TX and Cirrus networks.

The bank is primarily a residential mortgage lender with its portfolio centered in 1-4 family residential real estate loans, located mostly within the bank's assessment area. As of September 30, 1999, North Middlesex Savings Bank had total assets of \$174 million with total loans representing \$101 million or 58.1 percent of total assets. The following table details the bank's loan portfolio as a percent of average gross loans. This information was obtained from the Uniform Bank Performance Report (UBPR) as of September 30, 1999.

Loan Portfolio as of September 30, 1999	
Type of Loans	% of Average Gross Loans
Construction & Land Development	3.9%
Residential Real Estate	
a. 1-4 Family Mortgages	57.4%
b. Home Equity Lines	4.5%
Multifamily	0.4%
Commercial Loans	
a. Commercial Real Estate	20.6%
b. Commercial & Industrial Loans	10.5%
Consumer Loans	2.4%
Other Loans	0.3%
Total	100%

Source: Uniform Bank Performance Report (UBPR 9/30/99).

As shown in the table above, residential real estate is the bank's primary form of credit activity. Loans secured by one-to-four family residential property account for

approximately 57.4 percent of all outstanding credit. Commercial real estate loans are next with 20.6 percent, followed by commercial and industrial loans with 10.5 percent.

In 1998, the top three mortgage lenders within the bank's defined assessment area were: Countywide Home Loans with 6.6 percent of the market share, North Middlesex Savings Bank with 4.4 percent and Peoples Heritage Bank with 3.9 percent. These top three lenders held a 14.9 percent of the market share of all mortgage loan originations within the assessment area reported under the Home Mortgage Disclosure Act (HMDA). There were 298 HMDA-reporting mortgage lenders active within the assessment area in 1998.

The most recent Community Reinvestment Act (CRA) evaluation, performed by the FDIC as of April 1998 assigned a rating of "outstanding". The previous evaluation performed by the Commonwealth of Massachusetts as of July 15, 1996 assigned a rating of "satisfactory".

Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which the bank will focus its lending efforts. The Division of Banks evaluates the institution's CRA performance based on the defined assessment area. Generally, assessment area(s) are expected to consist of Metropolitan Statistical Areas (MSAs) or contiguous political subdivisions such as counties, cities and towns.

North Middlesex Savings Bank defines its assessment area as the Towns of Ayer, Groton, Littleton, Pepperell, Shirley, and Townsend in Middlesex County; and the Town of Harvard in Worcester County. This assessment area, with the exception of Groton and Pepperell, is located in the Boston Metropolitan Statistical Area (MSA). The towns of Groton and Pepperell fall within the Lowell MSA. The Boston MSA median Family Household Income (FHI) was \$60,000 for 1998 and \$62,700 for 1999, while the Lowell MSA median Family Household Income was \$59,200 for 1998 and \$61,800 for 1999.

There are nine census tracts in the bank's assessment area, including three moderate-income tracts, four middle-income tracts and two upper-income tracts. There are no low-income census tracts within the assessment area. Additionally, two of the moderate-income census tracts comprise the majority of the former Fort Devens military base, with the third representing the Town of Ayer.

Fort Devens, which played a major role in the region's economy, was closed in April of 1996. In addition, the military population that has since left, had a significant impact on the service industries (e.g. restaurants, stores, etc.) located within North Middlesex Savings Bank assessment area.

When the 1990 census took place, Fort Devens was fully operational and fully staffed. Consequently, 1990 census data includes population and demographic statistical data relating to Fort Devens when it was operational. However, the following analysis

includes all nine census tracts, since the inclusion of the former Fort Devens tracts does not adversely effect the findings regarding the bank's performance.

According to 1990 US Census Data, North Middlesex Savings Bank's assessment area has a total population of 58,461 individuals. The following table outlines the census tracts by income level. Additionally, the table also includes the family households, which reside within each census tract income level.

Assessment Area Demographics

CENSUS TRACT INCOME LEVEL	NUMBER OF CENSUS TRACTS	CENSUS TRACT PERCENTAGE	FAMILY HOUSEHOLDS	HOUSEHOLD PERCENTAGE
MODERATE	3	33.3	3,493	22.9
MIDDLE	4	44.5	8,447	55.2
UPPER	2	22.2	3,353	21.9
TOTAL	9	100.0	15,293	100.0

Source: 1990 Census Data

Of the housing stock within the assessment area, 84.4 percent is consists of one to four-family residential units. Of these units, 64.2 percent are owner-occupied. However, the owner occupancy level ranged from a low of 26.5 percent in the moderate-income tracts to a high of 77.1 percent in the upper-income census tracts. The median home value of the assessment area is \$162,195.

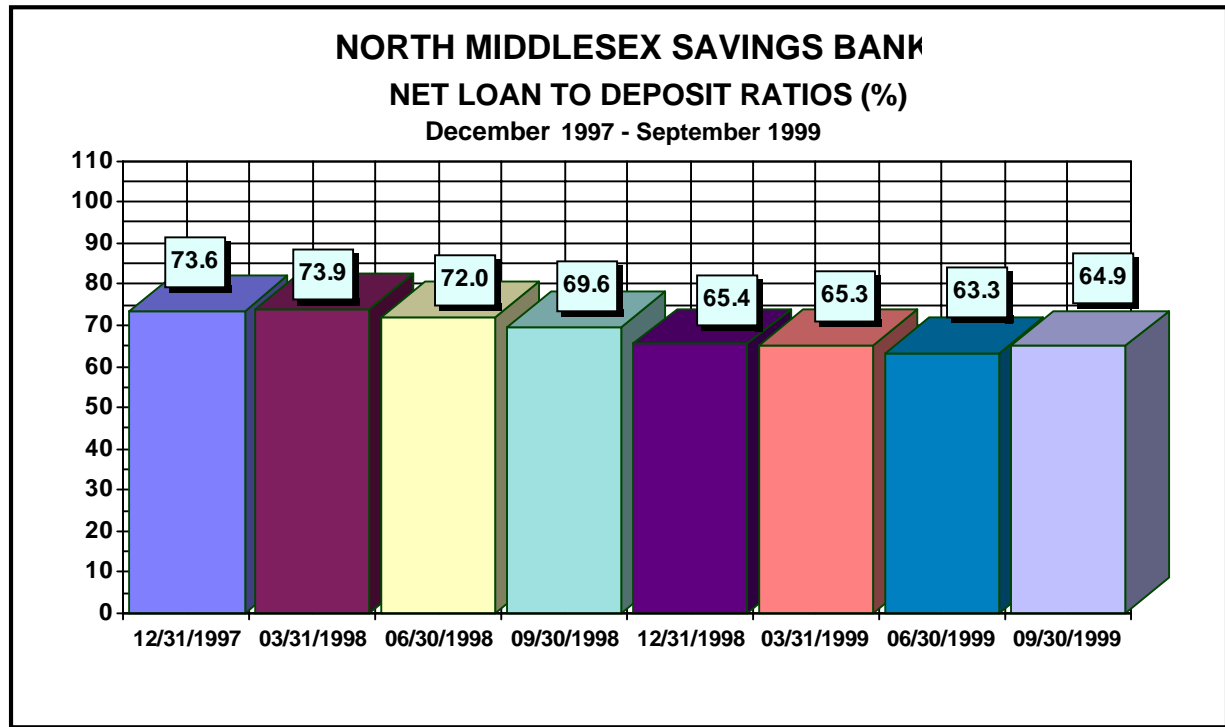
One community contact was performed during this examination with a community housing organization within the assessment area. According to the individual contacted, the local area contains a large number of low-income residents who would benefit from loan products that are tailored to meet their needs. The contact stated that products such as a first time homebuyers program would help in assisting these low-income families.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

North Middlesex Savings Bank's average net loan to deposit ratio was calculated by using the data reported in the previous eight quarterly FDIC Call Reports. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The bank's average net loan-to-deposit ratio for the period of December 31, 1997 through September 30, 1999 is 68.5 percent. At the previous state examination on July 15, 1996, the average net loan to deposit ratio was calculated to be 81.0 percent. The asset size of the institution has increased from \$153 million as of September 30, 1998 to \$174 million as of September 30, 1999. During this time, net loans increased approximately 5.4 percent, while deposits have increased approximately 13.1 percent. This shows that the deposit growth has outpaced the loan growth, which accounts for the decrease in the net loan to deposit ratio. As indicated in the table below,

the bank's net loan to deposit ratio stands at 64.9 percent as of September 30, 1999. The following graph depicts the net loan to deposit ratio for each quarter under review.



The bank's net loan to deposit ratio cannot be appropriately compared with other institutions. This is because other institutions in the area are not similarly situated and differ in asset size, complexity and branch networks.

Based on the above information, the bank's asset size, resources and the credit needs of the assessment area, the bank's net loan to deposit ratio is considered adequate and meets the standard for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

North Middlesex Savings Bank's 1998 and 1999 year-to-date (through December 1) Home Mortgage Disclosure Act (HMDA) / Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's delineated assessment area. During this period, the bank originated 445 HMDA-reportable loans totaling approximately \$54,063,000. Of this amount, 342 loans, or 76.9 percent of the number, totaling \$41,814,000, or 77.3 percent of the dollar amount, was originated in the bank's assessment area.

By number, Pepperell accounted for the largest number of originations with 21.4 percent, followed by Ayer with 16.2 percent and Littleton and Groton both with 10.1 percent. Pepperell also accounted for the largest dollar volume of originations with 21.2 percent,

followed by Ayer with 14.3 percent, Groton with 10.8 percent and Littleton with 10.5 percent.

Refer to the following tables for additional information regarding the bank's HMDA-reportable lending, by both number and dollar amount.

HMDA-Reportable Loans by Number of Originations

Location	1998		1999-YTD		Totals	
	#	%	#	%	#	%
Pepperell	53	20.0	42	23.4	95	21.4
Ayer	43	16.2	29	16.2	72	16.2
Littleton	25	9.4	20	11.2	45	10.1
Groton	33	12.4	12	6.7	45	10.1
Shirley	21	7.9	15	8.4	36	8.1
Harvard	15	5.6	10	5.6	25	5.6
Townsend	15	5.6	9	5.0	24	5.4
Inside Assessment Area	205	77.1	137	76.5	342	76.9
Outside Assessment Area	61	22.9	42	23.5	103	23.1
Total	266	100.0	179	100.0	445	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 12/1/99

HMDA-Reportable Loans by Dollar Amount of Originations

Location	1998		1999-YTD		Totals	
	\$ (000)	%	\$ (000)	%	\$(000)	%
Pepperell	6,240	20.0	5,208	22.7	11,448	21.2
Ayer	4,325	13.9	3,388	14.8	7,713	14.3
Groton	4,144	13.3	1,723	7.5	5,867	10.8
Littleton	3,190	10.3	2,506	10.9	5,696	10.5
Shirley	2,353	7.6	1,906	8.3	4,259	7.9
Harvard	2,360	7.6	1,822	7.9	4,182	7.7
Townsend	1,318	4.2	1,331	5.8	2,649	4.9
Inside Assessment Area	23,930	76.9	17,884	77.9	41,814	77.3
Outside Assessment Area	7,181	23.1	5,068	22.1	12,249	22.7
Total	31,111	100.0	22,952	100.0	54,063	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 12/1/99

As indicated in the above tables, the vast majority (76.9 percent by number and 77.3 percent by dollar amount) of loans, in 1998 and 1999 year-to-date, were originated inside the bank's assessment area.

Market statistical data for calendar year 1998 compiled by PCI Services, Inc. CRA Wiz indicated that North Middlesex Savings Bank ranked second in market share for HMDA-reportable originations and purchases throughout its assessment area. The bank's market share was 4.4 percent. The only lender ranking higher in market share was

Countrywide Home Loans, a large national mortgage company that is not comparable to North Middlesex Savings Bank.

Small Business Lending

North Middlesex Savings Bank's 1998 and year-to-date 1999 (through September 30) Small Business Loans were also reviewed to determine the amount of credit extended within the delineated assessment area. A small business loan, as defined in the FDIC Call Report instructions, is "...a loan with an original amount of \$1 million or less... secured by non-farm non-residential properties; or commercial and industrial loans to U.S. addresses." Information on these loans was obtained from the bank's internal reports, which were verified for accuracy.

The bank originated 416 small business loans totaling approximately \$19,384,000 during this period. A total of 348 loans totaling \$16,775,000 were originated to businesses within the bank's assessment area, representing 83.7 percent by number and 86.5 percent by dollar amount. The Town of Ayer accounted for the most originations with 30.3 percent by number, followed by Pepperell with 16.6 percent, and Littleton with 10.1 percent. Ayer also accounted for the largest dollar volume of originations with 29.4 percent, followed by Shirley with 14.8 percent and Pepperell with 13.2 percent.

Refer to the following tables for additional information regarding the bank's small business lending, by both number and dollar amount.

Small Business Loans by Number of Originations

Location	1998		1999-YTD		Totals	
	#	%	#	%	#	%
Ayer	74	28.5	52	33.3	126	30.3
Pepperell	49	18.8	20	12.8	69	16.6
Littleton	28	10.8	14	9.0	42	10.1
Harvard	22	8.5	18	11.5	40	9.6

Shirley	17	6.5	9	5.8	26	6.2
Groton	15	5.8	8	5.1	24	5.8
Townsend	13	5.0	9	5.8	21	5.1
Inside Assessment Area	218	83.9	130	83.3	348	83.7
Outside Assessment Area	42	16.1	26	16.7	68	16.3
Total	260	100.0	156	100.0	416	100.0

Source: Small Business Loans for the period 1/1/98 to 9/30/99

Small Business Loans by Dollar Amount of Originations

Location	1998		1999-YTD		Totals	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
Ayer	3,570	28.3	2,137	31.5	5,707	29.4
Shirley	1,443	11.5	1,432	21.1	2,875	14.8
Pepperell	1,989	15.8	563	8.3	2,552	13.2
Townsend	922	7.3	652	9.6	1,574	8.1
Harvard	1,028	8.2	505	7.5	1,533	7.9
Groton	1,149	9.1	160	2.4	1,309	6.8
Littleton	837	6.6	388	5.7	1,225	6.3
Inside Assessment Area	10,938	86.8	5,837	86.1	16,775	86.5
Outside Assessment Area	1,663	13.2	946	13.9	2,609	13.5
Total	12,601	100.0	6,783	100.0	19,384	100.0

Source: Small Business Loans for the period 1/1/98 to 9/30/99

As depicted in the above tables, the majority (83.7 percent by number and 86.5 percent by dollar amount) of the bank's small business loan originations have been within its assessment area.

Based on the above information by both residential and small business lending and considering the bank's high market share of residential loans, it is evident that a substantial number and dollar amount of the bank's loans have been extended within its assessment area. Therefore, the institution's level of lending within its assessment area exceeds the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median Family Household Incomes (FHI) for the Boston and Lowell Metropolitan Statistical Area (MSA) due to the location of the property. These income figures are based on estimated Department of Housing and Urban Development (HUD) information. Refer to the following table for a breakdown of the estimated 1998 and 1999 HUD information.

MSA	1998-FHI	1999-FHI
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Boston	\$60,000	\$62,700
Lowell	\$59,200	\$61,800

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following tables show, by number and dollar amount, HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the number of families in each respective income group within the assessment area.

Distribution by Number of HMDA-Reportable Loans within the Assessment Area to Borrowers of Different Income Levels

Borrower Income Level	Families		1998		1999-YTD		Total	
	#	%	#	%	#	%	#	%
< 50%	2,208	14.4	12	5.9	12	8.8	24	7.0
50 - 79%	2,985	19.5	53	25.8	37	27.0	90	26.3
80 - 119%	4,115	26.9	68	33.2	34	24.8	102	29.8
> = 120%	5,985	39.2	72	35.1	54	39.4	126	36.9
Total	15,293	100.0	205	100.0	137	100.0	342	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 12/01/99

Distribution of HMDA-Reportable Loans within the Assessment Area to Borrowers of Different Income Levels by Dollar Amount

Borrower Income Level	Families		1998		1999-YTD		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
< 50%	2,208	14.4	932	3.9	775	4.3	1,707	4.1
50 - 79%	2,985	19.5	4,470	18.7	3,773	21.1	8,243	19.7
80 - 119%	4,115	26.9	7,771	32.5	4,389	24.6	12,160	29.1
> = 120%	5,985	39.2	10,757	44.9	8,947	50.0	19,704	47.1
Total	15,293	100.0	23,930	100.0	17,884	100.0	41,814	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 12/01/99

In 1998 and year-to-date 1999 (through December 1), the bank extended 24 loans to low-income borrowers representing 7.0 percent by number and 4.1 percent by dollar amount of the bank's total loans within the assessment area. Although these

percentages fall below the 14.4 percent of low-income families within the assessment area, it should be noted, that the low-income group contains a large portion of families with incomes so low that home-ownership is virtually impossible. Approximately 471 families or 21.3 percent of the low-income families are below the poverty level. If they were not included, the percentage of families in the low-income category would drop to approximately 11.4 percent, making the bank's distribution by number slightly closer to the adjusted percentage of low-income families.

In addition, the bank extended 90 loans to moderate-income borrowers, representing 26.3 percent by number, as shown above. These loans represent 19.7 percent by dollar amount of the bank's total originations within its assessment area. The percentage of loans by both number and dollar amount is greater than the 19.5 percent of moderate-income families within the assessment area.

The distribution of the bank's residential loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1998 and is presented in the following table.

**1998 Residential Lending within the Assessment Area to Borrowers of Different
Income Levels**
North Middlesex Savings Bank Compared to All Other HMDA-Reporters

Borrower Income Level	Number of Loans				Dollar Amount of Loans			
	North Middlesex Savings Bank		All Other Reporters		North Middlesex Savings Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
< 50%	12	5.9	158	3.5	932	3.9	13,368	1.9
50 - 79%	53	25.8	480	10.7	4,470	18.7	46,719	6.7
80 - 119%	68	33.2	1,041	23.3	7,771	32.5	130,835	18.9
> = 120%	72	35.1	1,984	44.3	10,757	44.9	347,358	50.0
NA	0	0.0	816	18.2	0	0.0	156,381	22.5
Total	205	100.0	4,479	100.0	23,930	100.0	694,661	100.0

Source: HMDA Data for the period 1/1/98 to 12/31/98

The distribution of the bank's residential loans to low-income borrowers is favorable when compared to that of all other HMDA-reporters within the assessment area. As

shown above, the bank's percentage of lending to borrowers of low-income was 5.9 percent by number and 3.9 percent by dollar amount which exceeds that of the aggregate who originated 3.5 percent by number and 1.9 percent by dollar amount to low-income borrowers in the assessment area.

North Middlesex Savings Bank's HMDA-reportable loans within the assessment area, to moderate-income borrowers accounted for 25.8 percent by number and 18.7 percent by dollar amount. This percentage greatly exceeds that of the aggregate, which granted 10.7 percent of total loans by number and 6.7 percent by dollar amount to moderate-income borrowers.

In 1998, North Middlesex Savings Bank's market share ranked second in lending to low-income borrowers and ranked first in lending to moderate-income borrowers within its assessment area. The bank originated 65 HMDA-reportable loans to borrowers in both of these income groups, capturing 9.25 percent of the low and moderate-income borrower market.

Small Business Lending

The small business loans originated within the bank's assessment area in 1998 and year-to-date 1999 (through September 30) were further analyzed to determine the typical loan amount at origination. The following tables depict the distribution of business loans by number and dollar amount within the bank's assessment area by loan amount at origination.

Number of Small Business Loans within the Assessment Area By Amount at Origination

Loan Amount	1998		1999-YTD		Total	
	#	%	#	%	#	%
< = \$100,000	194	89.0	116	89.2	310	89.1
> \$100,000 and < = \$250,000	16	7.3	11	8.5	27	7.8
> \$250,000	8	3.7	3	2.3	11	3.1
Total	218	100.0	130	100.0	348	100.0

Source: Small Business Loans for the period 1/1/98 to 9/30/99

Dollar Volume of Small Business Loans within the Assessment Area by Amount at Origination

Loan Amount	1998		1999-YTD		TOTAL	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
< = \$100,000	4,205	38.4	2,723	46.7	6,928	41.3
> \$100,000 and < = \$250,000	2,740	25.1	1,939	33.2	4,679	27.9
> \$250,000	3,993	36.5	1,175	20.1	5,168	30.8
Total	10,938	100.0	5,837	100.0	16,775	100.0

Source: Small Business Loans for the period 1/1/98 to 9/30/99

As depicted in the above tables, 89.1 percent of the number of the small business loans originated in the bank's assessment area during 1998 and year-to-date 1999 had original loan amounts of \$100,000 or less.

The small business loans originated within the bank's assessment area during this period were also analyzed to determine the distribution among businesses of various sizes. The majority of the loans originated during this period were granted to small businesses whose annual revenues are \$1 million or less. The following tables depict the distribution by number and dollar amount of business loans within the bank's assessment area by revenues of the business.

**Number of Small Business Loans within the Assessment Area
by Revenues of the Business**

Annual Business Revenues	1998		1999-YTD		Total	
	#	%	#	%	#	%
< = \$1,000,000	210	96.3	114	87.7	324	93.1
> \$1,000,000	8	3.7	16	12.3	24	6.9
Total	218	100.0	130	100.0	348	100.0

Source: Small Business Loans for the period 1/1/98 to 9/30/99

**Dollar Volume of Small Business Loans within the Assessment Area
by Revenues of the Business**

Annual Business Revenues	1998		1999-YTD		Total	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
< = \$1,000,000	9,006	82.3	5,110	87.5	14,116	84.2
> \$1,000,000	1,932	17.7	727	12.5	2,659	15.8
Total	10,938	100.0	5,837	100.0	16,775	100.0

Source: Small Business Loans for the period 1/1/98 to 9/30/99

As shown in the above tables, the majority of these loans (93.1 percent by number and 84.2 percent by dollar amount) were extended to small businesses with gross annual revenues of \$1 million or less. In addition, as shown in the previous tables, 89.1 percent of the number of the small business loans had original amounts of \$100,000 or less. This indicates the bank's willingness to address the credit needs of small businesses within its assessment area.

The distribution of HMDA-reportable lending to low and moderate-income borrowers compared to the aggregate demonstrates the bank's willingness to lend to borrowers of all income levels, particularly those of low and moderate-income. Additionally, the bank's small business loan distribution by amount at origination and by business revenue shows the bank's willingness to lend to small businesses in the area.

Therefore, North Middlesex Savings Bank is considered to exceed the standards of satisfactory performance for this criterion.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The HMDA-reportable loans located within the bank's assessment area were further analyzed to determine their location by census tract income level. The assessment area is comprised of nine census tracts: three or 33.3 percent designated as moderate-income; four or 44.5 percent as middle-income; and two or 22.2 percent as upper-income. As mentioned in the Performance Context section the assessment area contains no low-income census tracts. Additionally, two of the moderate-income tracts make up the former Fort Devens military base, which has closed since the 1990 census. However, this demographic change did not significantly effect the analysis and therefore, the two moderate tracts that make up the majority of the former Fort Devens base are included in the following section.

The following table provides a breakdown, by number and dollar amount, of the bank's HMDA-reportable loans within its assessment area according to census tract income levels. The table also shows the loans in comparison to the number of owner-occupied housing units in each of the census tract income categories.

Distribution of HMDA-Reportable Loans within the Assessment Area by Census Tract Income Level

Census Tract Income Level	Owner-Occupied Properties		1998		1999-YTD		Total	
	#	%	#	%	#	%	#	%
Moderate	1,203	9.3	43	21.0	29	21.2	72	21.1
Middle	8,242	64.0	114	55.6	86	62.8	200	58.5
Upper	3,433	26.7	48	23.4	22	16.0	70	20.4
Total	12,878	100.0	205	100.0	137	100.0	342	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 12/01/99

Dollar Volume of HMDA-Reportable Loans within the Assessment Area by Census Tract Income Level

Census Tract Income Level	Owner-Occupied Properties		1998		1999-YTD		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
Moderate	1,203	9.3	4,325	18.1	3,388	19.0	7,713	18.5
Middle	8,242	64.0	13,101	54.7	10,951	61.2	24,052	57.5
Upper	3,433	26.7	6,504	27.2	3,545	19.8	10,049	24.0
Total	12,878	100.0	23,930	100.0	17,884	100.0	41,814	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 12/01/99

As shown in the above tables, 72 loans or 21.1 percent by number were within moderate-income census tracts, which greatly exceeds the 9.3 percent of the area's owner-occupied housing for moderate-income tracts. The distribution by dollar amount to moderate-income census tracts was 18.5 percent. The majority of the bank's residential loans (58.5 percent by number) are located in middle-income census tracts.

A comparative analysis of North Middlesex Savings Bank's lending performance by census tract income category was also conducted in comparison to all other HMDA-reportable lenders in the assessment area. As mentioned above, other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1998 and is presented in the following table.

**1998 HMDA-Reportable Lending within the Assessment Area by Census Tract
Income Level**
North Middlesex Savings Bank Compared to All Other HMDA Reporters

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	North Middlesex Savings Bank		All Other HMDA Reporters		North Middlesex Savings Bank		All Other HMDA Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Moderate	43	21.0	479	10.7	4,325	18.1	56,098	8.1
Middle	114	55.6	2,596	58.0	13,101	54.7	337,884	48.6
Upper	48	23.4	1,404	31.3	6,504	27.2	300,679	43.3
Total	205	100.0	4,479	100.0	23,930	100.0	694,661	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 12/31/98.

As demonstrated above, the percentage of the bank's lending activity by both number and dollar amount in moderate-income census tracts greatly exceeds that of the aggregate. The percentage of North Middlesex Savings Bank's lending activity in moderate-income census tracts was 21.0 percent by number and 18.1 percent by dollar amount. In comparison, the aggregate originated 10.7 percent by number and 8.1 percent by dollar amount in the moderate-income census tracts.

In 1998, North Middlesex Savings Bank ranked first in market share for lending in moderate-income census tracts within its assessment area. The bank originated 43 HMDA-reportable loans in these census tracts, representing 8.24 percent of the market.

Small Business Lending

North Middlesex Savings Bank's small business loans were also analyzed to determine the distribution by census tract income level within its assessment area. The following tables depict this distribution, by both number and dollar amount.

Distribution of Small Business Loans within the Assessment Area by Census Tract Income Level

Census Tract Income Level	1998		1999-YTD		Total	
	#	%	#	%	#	%
Moderate	74	33.9	52	40.0	126	36.2
Middle	107	49.1	52	40.0	159	45.7
Upper	37	17.0	26	20.0	63	18.1
Total	218	100.0	130	100.0	348	100.0

Source: Small Business Loans for the period 1/1/98 to 9/30/99

Dollar Volume of Small Business Loans within Assessment Area by Census Tract Income Level

Census Tract Income Level	1998		1999-YTD		Total	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
Moderate	3,570	32.6	2,137	36.6	5,707	34.0
Middle	5,191	47.5	3,035	52.0	8,226	49.0
Upper	2,177	19.9	665	11.4	2,842	17.0
Total	10,938	100.0	5,837	100.0	16,775	100.0

Source: Small Business Loans for the period 1/1/98 to 9/30/99

As shown above, the bank originated 36.2 percent by number and 34.0 percent by dollar amount of its small business loans in moderate-income census tracts. The highest percentage (45.7 percent by number) of the small business loans were extended to businesses in middle-income census tracts.

The distribution of the bank's HMDA-reportable and small business lending by census tract income levels and the bank's high market share shows the bank's willingness to lend to borrowers in moderate-income census tracts. Based upon the analysis by owner occupied properties and the aggregate, the geographic distribution of North Middlesex Savings Bank's HMDA-reportable and small business loans are considered to exceed the standards for satisfactory performance.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the bank's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

REVIEW OF COMPLAINTS

A thorough review of the public comment file revealed that the bank received no complaints pertaining to the institution's CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

North Middlesex Savings Bank has established a Fair Lending Policy on discrimination in lending that is incorporated into the bank's consumer loan policy. Detailed below is the bank's fair lending performance as it correlates to the guidelines established by Regulatory Bulletin 2.3-101, the Division of Bank's Community Reinvestment and Fair Lending Policy.

STAFF TRAINING

In November and December of 1999, North Middlesex Savings Bank held a training session on the Equal Credit Opportunity Act that was attended by all lending personnel at the main office. The session included a video entitled "Regulation B, Illegal Discrimination" and was followed by discussion of the subject matter.

STAFF COMPOSITION AND COMPENSATION

North Middlesex Savings Bank has a staff of 54 full-time and 13 part-time employees, 6 of which are minorities. The bank employs several individuals who speak a foreign language including Spanish, German, Russian, Ukrainian and French.

The bank has eight lenders who are paid on a salary basis. Additionally, the bank has two mortgage originators who are paid a base salary plus incentives.

OUTREACH

Bank management ascertains the credit needs of the assessment area through active involvement by bank officers in numerous community organizations and other programs. These organizations include but are not limited to, the following: The United Way of North Central Massachusetts, The Downtown Ayer Business Association, The Acton-Littleton Chamber of Commerce, The Littleton Business Association, and The Pepperell Business Association.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The bank's Vice President and Mortgage Loan Office evaluates both the products the bank offers and its product mix on an annual basis at a minimum. This analysis is conducted to

help determine whether the bank is offering competitive products and whether those products are responsive to the assessment area's needs.

North Middlesex Savings Bank offers its own First Time Home Buyers program with no points and increased debt ratios. The bank originated fourteen loans under this program totaling \$1,809,400 in 1998 and seven loans totaling \$840,050 in year-to-date 1999 (through September 1). Additionally the bank recently began offering another First Time Home Buyers program also with increased debt ratios and one-half point charged, however no loans have been granted under this program so far. As mentioned in the performance context the assessment area contains a number of low-income families that benefit from these types of loan products that the bank is offering.

The bank also participates in the Homeowners Septic Repair Loan Program. This program is offered through the Massachusetts Housing Finance Agency (MHFA) and allows for low interest loans used to repair failed septic systems. The program offers interest rates of 0.0 percent, 3.0 percent and 5.0 percent depending on the borrower's income. In 1998, the bank granted 32 loans under this program totaling \$440,909 and in year-to-date 1999, the bank granted 11 loans totaling \$199,172.

MARKETING

North Middlesex Savings Bank's advertising reaches individuals of all income levels and effectively covers the entire delineated assessment area. The bank utilizes newspapers to advertise its credit products and services throughout its assessment area. The newspapers include but are not limited to, the following: The Ayer Public Spirit, The Townsend Times, The Pepperell Free Press, The Groton Landmark, The Littleton Independent, The Harvard Post, The Groton Herald and the Shirley Volunteer.

CREDIT EDUCATION

The bank has not participated in any formal credit education seminars since the previous examination.

COUNSELLING

The bank's loan officers provide loan customers, as needed, with the consumer credit counseling service phone number. In addition, North Middlesex Savings Bank's loan officers work individually with customers who are experiencing credit difficulties.

SECOND REVIEW PRACTICES

North Middlesex Savings Bank does not have a formal written second review policy, however, most denied loan applications are reviewed by the Board of Investment and by the bank's Asset/Liability Committee, which is comprised of four of the bank's officers.

Recently the bank adopted a new formal policy that states if a loan application to a customer in a protected class is not approved, then the file will be reviewed by another lending officer who will note the review on the application.

INTERNAL CONTROL PROCEDURES

The bank's Vice President and Mortgage Loan Officer perform a review of the HMDA/LAR data on a quarterly basis. Additionally, the bank's compliance officer conducts a review of random loan files to check for compliance with state and federal regulations.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. In 1998 and year-to-date 1999 (through December 1), the bank received 383 residential loan applications from within its assessment area. During this period, 10 applications or 2.6 percent, were received from minorities. Refer to the following table for further details.

APPLICATION FLOW

Race	1998		1999-YTD		Total	
	#	%	#	%	#	%
American Indian	1	0.4	0	0.0	1	0.3
Asian	5	2.1	1	0.7	6	1.5
Black	2	0.9	0	0.0	2	0.5
Hispanic	1	0.4	0	0.0	1	0.3
Other	0	0.0	0	0.0	0	0.0
Total Minority	9	3.8	1	0.7	10	2.6
White	224	95.3	147	99.3	371	96.9
No Information	2	0.9	0	0.0	2	0.5
Total	235	100.0	148	100.0	383	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 12/01/99

The bank's minority application flow for this period was compared with 1998 aggregate data for all other HMDA reporters within the assessment area. North Middlesex Savings Bank's minority application flow is favorable when compared to the aggregate. Aggregate information indicated that, of the 5,689 HMDA-reportable applications received by other institutions within the assessment area in 1998, 2.4 percent were from minorities. By comparison, North Middlesex Savings Bank 3.8 percent of its applications in 1998 from minorities. A comparison of the bank's minority application flow to the racial make-up of the assessment area was not performed. This is primarily due to the 1990 census data, which included demographic information about the former Fort Devens military base. This did not allow for current and accurate information regarding the racial make up of the assessment area.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

North Middlesex Savings Bank

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **DECEMBER 9, 1999** has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.